

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /090 W

----- 003080

R 260628Z SEP 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 6393

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY ATHENS

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY SANA

AMEMBASSY LONDON

AMEMBASSY MUSCAT

AMCONS DHAHRAN

AMEMBASSY MANAMA

USINT BAGHDAD

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DEPARTMENT PASS CAGNE/USDOC

E.O. 11652: N/A

TAGS: BEXP, LE

SUBJECT: BEIRUT'S POSITION AS REGIONAL BUSINESS CENTER:

LOOKING AHEAD

1. AFTER SIX MONTHS OF PERSISTENT AND PERIODIC CIVIL
DISTURBANCES, PREVAILING MOOD OF RESIDENT AMERICAN

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BUSINESS AND BANKING COMMUNITY IS ACCUMULATED FRUSTRA-

TION WITH LEBANESE INABILITY RESTORE SEMBLANCE OF PUBLIC ORDER. ASIDE FROM MATTER OF PERSONAL SAFETY FOR THEMSELVES AND DEPENDENTS, BUSINESS PEOPLE CURRENTLY FINDING IT AT BEST DIFFICULT TO MAINTAIN BASIC BUSINESS OPERATIONS SINCE NOT SAFE PROCEED TO OFFICES, COMMUNICATIONS REDUCED, AND POSSIBILITY AIR TRAVEL TO OTHER AREA CITIES PROBLEMATICAL BECAUSE OF OFTEN DANGEROUS ROUTE TO AIRPORT. LOOKING AHEAD OVER NEXT SEVERAL MONTHS, MOST BUSINESS MANAGERS EXPRESS EXPECTATION CONTINUED TENSION WITH OCCASIONAL OUTBREAKS OF SHOOTING.

2. IN FACE THIS SITUATION, BUSINESS MANAGERS TAKING HARD LOOK AT BEIRUT AS SITE FOR OFFICE AND HOME FOR DEPENDENTS. RESPONSES TO DATE HAVE SHOWN MIXED PATTERN. TO DATE, ONLY FEW COMPANIES HAVE PULLED UP STAKES COMPLETELY, I.E., BECHTEL, MCDONNELL-DOUGLAS. OTHERS ARE SPLITTING STAFF BETWEEN BEIRUT AND ATHENS (E.G. INTERNATIONAL HARVESTER, AMPEX). MOST COMPANIES CURRENTLY APPEAR TO BE SITTING TIGHT IN BEIRUT OR MOVING STAFF AND DEPENDENTS TEMPORARILY TO LONDON, ATHENS, ETC. TO WAIT OUT FACTIONAL FIGHTING IN BEIRUT (E.G. INGERSOLL RAND, CHICAGO BRIDGE, GENERAL MOTORS). AS REPORTED EARLIER, CITIBANK CLOSING ITS REGIONAL TRAINING SCHOOL WHILE REGIONAL AND BRANCH BANK PERSONNEL TO REMAIN. CHASE REPORTED CLOSING REGIONAL OFFICE WITH PERSONNEL BEING REASSIGNED TO OTHER MID-EASTERN CITIES (E.G., TEHRAN, TUNIS, BAHRAIN, CAIRO, JIDDA) AND LONDON. BRANCH BANK REMAINS. FIVE BOEING PERSONNEL IN BEIRUT TO SERVICE MEA'S 747S HAVE RELOCATED TO LONDON FOR THIS FUNCTION. IN SPECIAL CATEGORY ARE BAROID AND SANTA FE DRILLING WHOSE EMPLOYEES WORK IN OIL-PRODUCING COUNTRIES WHILE DEPENDENTS RESIDE IN BEIRUT. BAROID HAS APPARENTLY MOVED OFFICE AND FAMILIES TO ATHENS. NO DECISION YET FROM SANTA FE BUT WE EXPECT RELOCATION OF 34 FAMILIES TO ATHENS WITH TWO-MAN REGIONAL OFFICE TO REMAIN BEIRUT.

3. SURPRISING DEVELOPMENT IN VIEW OF EVENTS OF PAST MONTHS IS THAT LARGE-SCALE TREND TO LOCATE COMPANY OFFICES ELSEWHERE PERMANENTLY HAS NOT YET DEVELOPED. LIMITED OFFICIAL USE

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DESPITE PAST AND CURRENT PROBLEMS AND EXPECTATION OF FUTURE OUTBREAKS, MOST BUSINESS MANAGERS APPEAR READY CLING TO BEIRUT AS SITE FOR MIDDLE EAST OFFICE. TYPICAL BUSINESS MANAGER WITH EXPATRIATE STAFF, WHILE QUESTIONING DEGREE SAFETY AND ABILITY FUNCTION EFFECTIVELY, FINDS ALTERNATIVES TO BEIRUT "NOT ATTRACTIVE". APPARENTLY OFT-CITED ADVANTAGES OF BEIRUT (CLIMATE, COMMUNICATIONS, SCHOOLS, HOSPITALS, LIBERAL BUSINESS

ENVIRONMENT, ADEQUATE WORK FORCE) CONTINUE OVERWEIGH
NEGATIVE FACTORS. ANOTHER FACTOR LENDING STABILITY
TO RESIDENT U.S. BUSINESS COMMUNITY IS FACT THAT MANY
MANAGERS AND SENIOR STAFF ARE LEBANESE NATIONALS WHO
RELUCTANT TRANSFER TO OTHER AIRB OR EUROPEAN SITE.
INDEED, IN SOME CASES, EXPATRIATE MANAGERS WHO ARE
EUROPEAN OR AMERICAN NATIONALS AND LONG-TIME BEIRUT
RESIDENTS, ARE RESISTING OR REFUSING HEAD-OFFICE
INSTRUCTIONS TO CONSIDER RELOCATION. ALSO, DESPITE
FIGHTING, EMBASSY NOTES NEW OFFICES SET UP BY JOHNSON-
HIGGINS (INSURANCE BROKERS) AND MILLERS FALLS (HAND
TOOLS) IN PAST FEW DAYS WHILE ARTHUR ANDERSEN & CO.
PROCEEDING WITH PLANS ADD THREE AMERICANS TO TWO
ALREADY HERE. MEANWHILE POSSIBILITY DUPONT OFFICE
STILL IN THE WINGS.

4. IN SUM, FROM PRESENT SIGNALS AND ASSUMING RELATIVELY
CALM ALBEIT UNSTABLE POLITICAL SITUATION, WE DO NOT
ANTICIPATE LARGE SCALE DIMINUTIONS U.S. OFFICES IN
BEIRUT. INSTEAD, REACTION BY U.S. COMPANIES WILL
PROBABLY BE REFLECTED IN (1) REDUCTION OF EXPATRIATE
STAFF TO ESSENTIAL CORE AND (2) GREATLY REDUCED NUM-
BER OF NEW OFFICES ESTABLISHED WHICH PRIOR DISRUP-
TIVE EVENTS WAS APPROACHING FLOOD PROPORTIONS. (SEE
A-95 OF APRIL 22). OBVIOUSLY, ALL BETS ARE OFF IF
LOCAL SITUATION SHOULD DISINTERGRATE INTO FULL-SCALE
AND PROLONGED CIVIL WAR.
GODLEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 26 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BEIRUT11973
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750334-0541
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750912/aaaaakax.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by CunninFX>; APPROVED <05 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BEIRUT'S POSITION AS REGIONAL BUSINESS CENTER: LOOKING AHEAD
TAGS: BEXP, LE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006